



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 7/10/2012

Agenda Placement: 7G

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Lederer, Steven - Director of Public Works
Roads Department

REPORT BY: Rick Marshall, Deputy Director of Public Works - Engr - (707) 259-8381

SUBJECT: 2012-2013 Public Works Projects and Property Acquisitions

RECOMMENDATION

Director of Public Works requests approval of Budget Transfer No. PW001 making certain adjustments to the Fiscal Year 2012-2013 budget for rollover and new projects (4/5 vote required) and:

1. Approval of and authorization for the Chairman to sign an Option to Purchase-Cash Sale Agreement and a Certificate of Acceptance for Director's Deed from the State of California, acting through its Director of Transportation, agreeing to purchase approximately 1.63 acres of State right-of-way on Devlin Road, adjacent to APN 057-020-025;
2. Adoption of a resolution stating the parcel on Devlin Road will be used for public purposes, as required by the State; and
3. Authorization for the Chairman to sign any and all documents required to exercise the purchase option in the existing lease to acquire the property located at 3075 California Boulevard in Napa for the purpose of maintaining the current Corporation Yard.

EXECUTIVE SUMMARY

Today's action adjusts the Fiscal Year 2012-2013 budget in order to increase appropriations for the purchase of Segment A of Devlin Road, the purchase of the California Boulevard Corporation Yard facility and rollover funds for the Solano Avenue and Animal Shelter flooring projects.

A portion of Devlin Road, between Airport Boulevard and Soscol Ferry Road, was constructed in State right-of-way when it was built in 2005, through an encroachment permit from the California Department of Transportation (Caltrans). It was the understanding between the County and Caltrans that the necessary right-of-way for Devlin Road would be purchased by the County at a future date, following Caltrans' decertification process. Negotiations have recently concluded and staff from both agencies have come to an agreement on the terms of the sale. The

recommended action will complete the transfer of the property from the State to the County and will accept it into the County-maintained road system.

Regarding 3075 California Blvd., analysis of our current agreement indicates that it is fiscally advantageous to purchase the property at this time, as opposed to continuing to lease the property. The County's Corporate Yard is currently located on this property, and shall continue to reside there following the purchase.

FISCAL IMPACT

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|-----------------------------------|---|
| Is there a Fiscal Impact? | Yes |
| Is it currently budgeted? | No |
| What is the revenue source? | Traffic Mitigation Fund-Devlin Road Segment A Accumulated Capital Outlay-California Boulevard Mental Health Services Act- Solano Avenue Remodel Animal Shelter Fund Balance- Animal Shelter Flooring Project |
| Is it Mandatory or Discretionary? | Discretionary |
| Discretionary Justification: | <p>Devlin Road is identified in the Circulation Element of the General Plan as a Rural Throughway. It is an important link in the circulation system, not only for the surrounding Airport Industrial Area, but for the southern part of the County generally. The County has recently taken steps to advance the completion of other nearby segments of Devlin Road, in recognition of its importance to the community and the potential to stimulate economic development and job growth in the unincorporated area.</p> <p>The County currently leases the California Boulevard Property. Per the lease agreement, the County has the option to purchase the property at this point. For a relatively small price differential (\$764,956) the County will own the property instead of giving it back in 2020. The property is likely to increase in value over time (i.e. if we sell the property sometime in the future it could be worth more than the \$3 million we would pay for it now). Further, since we will be saving some \$2.3 million in lease expenses, any future sale price of the property exceeding \$764,956 will result in a net gain for the county compared to continuing to lease it. Additionally, ownership provides us with greater flexibility to either improve the property for additional uses, or sell it as part of a potential consolidation with the City, and otherwise use it as we see fit.</p> <p>The Animal Shelter and Solano Avenue rollover projects were funded in previous fiscal years. Work was expected to be complete by June 30th but wasn't due to construction and other delays. Appropriations are needed in Fiscal Year 2012-2013 in order to complete the projects.</p> |
| Is the general fund affected? | No |
| Future fiscal impact: | These are one time projects or purchases, future fiscal impact for maintenance will be budgeted accordingly in future fiscal years. |
| Consequences if not approved: | This segment of Devlin Road will remain in Caltrans' right-of-way and technically under the control of that agency, and the County will not have fulfilled its obligations under the provisions of the encroachment permit. |

If California Boulevard is not purchased, the County is obligated to continue leasing the property until 2020. While the cost of the lease is less than the current purchase price, the County will not benefit from any increases in property value. The County will not own the property in 2020 and will need to determine a new location for the Corporation Yard at that time unless a lease renewal could be negotiated.

If rollover appropriations for the Animal Shelter and Solano Avenue projects are not authorized, the projects will go uncompleted.

Additional Information:

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: General Rule. It can be seen with certainty that there is no possibility the proposed action may have a significant effect on the environment and therefore CEQA is not applicable. [See Guidelines For the Implementation of the California Environmental Quality Act, 14 CCR 15061(b)(3)].

BACKGROUND AND DISCUSSION

Devlin Road

A portion of Devlin Road, between Airport Boulevard and Soscol Ferry Road, was constructed in State right-of-way when it was built in 2005, through an encroachment permit from the California Department of Transportation (Caltrans). It was the understanding between the County and Caltrans that the necessary right-of-way for Devlin Road would be purchased by the County at a future date, following Caltrans' decertification process.

Following the appropriate procedures in Caltrans' Right-of-Way Manual, both Caltrans and the County performed appraisals of the value of the approximately 1.63 acres of land to be transferred. Unfortunately, the initial appraisals by the two parties were widely divergent, having relied on differing methods for establishing the value of the affected land. Caltrans' appraisal of the value was \$412,000, while the County's appraisal was \$24,500. Negotiations between the two agencies ensued, and resulted in an amount acceptable to all parties, \$40,000.

In addition to the other aspects of the transaction discussed here, California Government Code Section 65402 requires that the County must find this proposed acquisition consistent with the General Plan. General Plan Policy CIR-13 includes the completion of Devlin Road, between Soscol Ferry Road and Green Island Road, among the list of supported improvements. Therefore, this acquisition is found to be consistent with the General Plan.

The recommended actions for your Board today include three components:

1. Approval of the "Option to Purchase-Cash Sale Agreement", agreeing to purchase approximately 1.63 acres of State right-of-way, adjacent to APN 057-020-025, to become right-of-way for Devlin Road;
2. Adoption of a Resolution stating the parcel will be used for public purposes, as required by the State; and
3. Approval of a Certificate of Acceptance for Director's Deed from the State of California, acting through its Director of Transportation.

These actions will complete the transfer of the property from the State to the County, and will accept the property

into the County-maintained road system. This purchase was not included in the Fiscal Year 2012-2013 budget. The requested budget adjustment appropriates funds from the Roads Fund to complete this purchase.

Purchase of California Boulevard

The Equipment Pool, aka Fleet Management, was established in the 1960's as an enterprise fund to manage and maintain the County's vehicle and equipment fleet. There are three budget units associated with this operation. Vehicles and equipment are replaced based on estimated effective life, and rental rates are established to cover depreciation, insurance, maintenance and overhead costs. Revenues from these charges fund the three budgetary units – Operations, Equipment Replacement and Vehicle Replacement.

Fleet Management staff, which consists of two mechanics and a supervisor, maintains approximately 175 fleet and patrol vehicles and approximately 50 pieces of heavy equipment and medium to heavy duty trucks. Most services are performed in house; however specialized repairs such as glass, body work, painting, etc. are contracted out to private vendors.

The operational center for Fleet Management was located at 933 Water Street, on a 2.13 acre parcel which contains three structures: a welding and heavy maintenance shop built in the early 1950's; a vehicle maintenance shop with office and warehousing space, built in 1972; and a workshop in a World War II era surplus building moved to the property in 1972 and used by the Property Management division of Public Works. The site also contains open outdoor storage for bulk materials and paved parking for vehicles and equipment. With the passage of Measure A in March 1998, the anticipated construction of the COPIA center immediately adjacent to the Water Street property and the notification from the Flood Control District that a portion of the Water Street facility would need to be taken by the Project in the very near future, Public Works found itself looking for sites at which it could relocate the operations located on Water Street. The goal was to identify a location to lease or purchase with the intent of one day selling the Water Street property.

On February 1, 2005, the County entered into a lease with the Drew Family 1994 Revocable Trust to establish a Corporate Yard at 3075 California Blvd. Lease payments started at \$16,000/month, and then increase 3.5% per year until lease termination in 2020. Current lease payments are approximately \$20,000/month. The lease does not have an escape clause, but does have an option to buy. The purchase price is tied to the monthly rent, and as such increases each year as the rent payments increase (i.e. by 3.5% per year).

The attached spreadsheet provides a useful analysis of the current "lease versus buy" decision.

Lease: Based on the current lease amount, which escalates 3.5% per year, the County would pay \$2,288,514 between March 1, 2013 (the latest likely purchase date) and 2020, the conclusion of the lease. We have already spent \$1,545,924 in lease payments since 2005, bringing to \$3,834,438 as the total we would spend over the course of the lease should we choose to continue it to 2020. At that time the property would revert to the Drew's.

Buy: Based on the contract, the County could purchase the property on or before March 1, 2013 for a price of \$3,053,470. In doing so, the County would initially spend \$764,956 over the lease cost, but would own the property outright for this difference.

Factors Arguing for Leasing

- Short term (between now and 2020) cost savings
- No liability associated with purchasing a property (environmental contamination and price fluctuation)
- Removes \$3 million from funds that might otherwise be used for the Jail project or other capital needs; though much of the funds needed for the purchase price could be replaced via the sale of the Water Street

property at some point in the future.

Factors Arguing for Purchase

- For a relatively small price differential (\$764,956) we will own the property instead of giving it back in 2020.
- The property is likely to increase in value over time (i.e. if we sell the property sometime in the future it could be worth more than the \$3 million we would pay for it now). Further, since we will be saving some \$2.3 million in lease expenses, any future sale price of the property exceeding \$764,956 will result in a net gain for the county compared to continuing to lease it.
- Ownership provides us with greater flexibility to either improve the property for additional uses, or sell it as part of a potential consolidation with the City, and otherwise use it as we see fit.
- In 2020 (at the presumed end of the lease if we don't buy the property) we can avoid the substantial cost of finding a new site and moving the corporate yard.

Due Diligence: Staff has obtained a Title Report and a Phase 1 environmental assessment for the property. Neither identify any significant issues.

Timing: The contract requires that the County give notice at least 6 months, but not more than 9 months, before exercising the option to purchase. Should the Board wish to proceed, we would want to ensure that we close escrow on the property prior to March 1, 2013, when the price goes up by \$106,872. Thus our window of opportunity is between June 1 and August 31.

Impact on potential future consolidation with city or other fleet functions: Given that our current lease binds us to the property until 2020, purchase of the property provides additional options in terms of a potential future consolidated corporation yard with the city. Ownership of the property gives us the ability to either make long term improvements to the property should we choose to consolidate on this property, or allows us to dispose of the property and realize real estate equity value should we wish to consolidate in some other location. Leaving the lease in place would prevent any consolidation before 2020.

Given the small differential between leasing and purchasing, and the benefits that accrue from purchasing, staff recommends exercising the purchase option on the subject property. The funds to purchase this property were not included in the Fiscal Year 2012-2013 Budget. The requested budget transfer will appropriate funds in the Capital Improvement Program Budget with an offsetting transfer from the Accumulated Capital Outlay to fund the purchase of California Boulevard.

Rollover Project-Solano Avenue

Napa County received Mental Health Services Act (MHSA) funding of \$1 million to purchase real property to enhance the County's ability to provide mental health services. Community input received during the MHSA planning process identified an Adult Resource Center as an essential need for adults facing mental health issues, and a center was accordingly given top priority for the funds. The local Adult Resource Center, known as People Empowering People (PEP), was deemed the best project for this funding. PEP is a 20-50 person peer socialization program operated by the non-profit Circle of Friends. PEP currently is housed in a rented trailer on the HHS campus.

The new Center will provide socialization activities, life skills development classes and employment and other service referrals so that mental health consumers can increase meaningful participation in their community. The consumer-operated Center will provide adults with a place to meet and support each other in ways appropriate to the individual's stage of recovery. The Center's participants will be ambulatory and receive no mental health treatment at the site. Staff support is provided to promote wellness and recovery and assist individuals to make appropriate choices to increase independence and the overall quality of their lives.

Property at 3281 Solano Avenue was selected for the Adult Resource Center. The site is approximately 0.27 acres, and contains structures of approximately 1,556 square feet and 997 square feet. On May 10, 2011 the Chairman of the Board of Supervisors executed a Grant Deed and the site became County property. HHSA and Public Works worked with Valley Architects on the design of required improvements. The required improvements generally consist of modifications to the two separate structures onsite to provide the required spaces and most efficient space adjacencies for the program. The 3,125 square foot improved space will generally consist of activity rooms, a break room, an entry and reception area, offices, a conference room, restrooms and utility rooms. In addition, the project includes improvements for exterior program activities. On April 3, 2012 the Board of Supervisors approved plans and specifications for the project and authorized the Director of Public Works to advertise for bids. On June 5, 2012, your board awarded the construction contract to Melnikov Construction, Inc. of Carmichael for \$475,000, which is within the project budget. Construction completion is targeted for the Fall of 2012.

The Fiscal Year 2012/2013 budget included \$303,000 for this project though the project is expected to cost \$596,379 due to the bid and engineering staff time. Therefore, \$293,379 is requested in additional appropriations. Additionally, an increase of appropriations and cancelation of designations in the amount of \$293,379 is requested in the MHSA special revenue fund (2460 24621 20002-51) in order to transfer funds to the construction account.

Rollover Project-Animal Shelter Floors

As part of the Fiscal Year 2011-2012 budget, the Board of Supervisors authorized a \$100,732 General Fund Contribution to the Animal Shelter Capital Improvement Budget to replace the flooring and doors at the Animal Shelter. This project is not yet complete as and increased appropriations in the amount of \$44,752 is needed as a rollover from Fiscal Year 2011-2012 in order to complete the project. Funds for this project were transferred to the Animal Shelter budget in Fiscal Year 2011-2012 and remain in the fund balance available.

SUPPORTING DOCUMENTS

- A . Purchase Agreement - Devlin
- B . Resolution - Devlin
- C . Certificate of Acceptance - Devlin
- D . California Boulevard-Lease Versus Buy

CEO Recommendation: Approve

Reviewed By: Molly Rattigan